

BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
COLUMBIA, SOUTH CAROLINA

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WORKSHOP – WATER AND SEWER MAINTENANCE PRACTICES

TRANSCRIPT OF PROCEEDINGS
VOLUME 1 OF 1

HEARING BEFORE: G. O'Neal HAMILTON, *CHAIRMAN*, C. Robert MOSELEY, *VICE CHAIRMAN*; and COMMISSIONERS John E. "Butch" HOWARD, David A. WRIGHT, ELIZABETH G. "LIB" FLEMING, Mignon L. CLYBURN, and Randy MITCHELL.

STAFF: Charles L.A. Terreni, Chief Clerk/Administrator; Jocelyn G. Boyd, Deputy Clerk; Joseph Melchers, Chief Legal Advisor; F. David Butler, Senior Counsel, and Randall Dong, Esq., Legal Staff; James Spearman, PhD., Executive Assistant to Commissioners; William Richardson and Patty Sands, Commission Staff; Jo Elizabeth M. Wheat, CVR-CM-GNSC, Court Reporter; and Deborah Easterling, Hearing Room Assistant.

APPEARANCES:

NANETTE EDWARDS, *ESQUIRE*, representing THE OFFICE OF
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P R O C E E D I N G S

CHAIRMAN HAMILTON: Please be seated. We'll call the workshop to order, and I thank each of you for being here today and being willing to participate in the discussions. As you know, this is a procedure that the Commission has followed in preparing for promulgating our regulations. We would like to know how you feel and have the benefit of your knowledge before we get that far along, and we thank you for coming. And we'll turn it over now to Mr. Terreni, to kind of keep the session going.

MR. TERRENI: Thank you, Mr. Chairman. Mr. Chairman, we discussed briefly with the parties before you came in the fact that, while no one here has a formal presentation they wish to make, we have a number of folks in the industry, agencies, here, that have indicated a willingness to participate and share their knowledge and expertise with the Commission. If it's okay with the Commission, what I propose to do is to walk through these topics, one by one.

CHAIRMAN HAMILTON: Very good.

MR. TERRENI: And we can go around and solicit questions from you all, and again if there are questions -- not only answers; if you all have questions, we certainly would like to hear about them. So please

1 let's treat this as as open a discussion as possible.

2 I think one thing that might be useful at the
3 outset, since there are not many people here, is if we
4 could all just introduce ourselves, so everybody will
5 know who is who. And we can start right here, sir.

6 **MR. BRITTS:** I'm Bob Britts. I'm with Southeast
7 RCAP. We're a nonprofit technical-assistance provider
8 for rural utilities.

9 **MR. TERRENI:** Okay.

10 **MR. MITCHELL:** Mac Mitchell, Utilities,
11 Incorporated.

12 **MR. WELCH:** Richard Welch, South Carolina DHEC,
13 Drinking Water Compliance.

14 **MR. KINARD:** Doug Kinard, also South Carolina DHEC.

15 **MR. BURGESS:** Bob Burgess, DHEC, Center for Waste
16 Minimization and Non-Regulatory Assistance Program.

17 **MR. FANTRY:** And my name is John Fantry. I'm a
18 private attorney. I work with a lot of nonprofits.
19 Commissioner Hamilton, it's good to see you --

20 **CHAIRMAN HAMILTON:** Good to see you, John.

21 **MR. FANTRY:** -- again. Knew you when you were up
22 in the County. I'm here appearing on behalf of myself
23 today. I have no client, but I'm interested in this
24 area and the discussion coming before the Commission.

25 **CHAIRMAN HAMILTON:** Thank you.

1 **MR. TERRENI:** Jocelyn, some of these folks may not
2 know you.

3 **MS. BOYD:** I'm Jocelyn Boyd. I'm the Deputy Clerk
4 of the Public Service Commission.

5 **MR. MELCHERS:** I'm Joseph Melchers. I'm the Chief
6 Counsel to the Commission.

7 **MR. DONG:** I'm Randall Dong. I'm one of the staff
8 lawyers here at the Commission.

9 **MR. TERRENI:** If you could just go through the ones
10 back there.

11 **MS. STUTZ:** Christina Stutz, Office of Regulatory
12 Staff.

13 **MS. SEALE:** Christina Seale, Office of Regulatory
14 Staff.

15 **MS. FORD:** Elizabeth Ford, Office of Regulatory
16 Staff.

17 **MR. MORGAN:** Willie Morgan, Office of Regulatory
18 Staff.

19 **MS. EDWARDS:** Nanette Edwards, Office of Regulatory
20 Staff.

21 **MR. BUTLER:** David Butler, Senior Counsel to the
22 Commission.

23 **MR. PARNELL:** Keith Parnell, Bush River Utilities.

24 **MR. RICHARDSON:** I'm Bill Richardson, with the
25 staff.

1 **DR. SPEARMAN:** Jim Spearman, with the Commission
2 staff.

3 **MR. TERRENI:** Keith, would you like to come up here
4 with us? Come on. You don't have to take a test or
5 anything, and it really doesn't cost much more than the
6 general admittance.

7 Just before we start, does anybody have any general
8 remarks they'd like to make, or should we proceed -- go
9 ahead and proceed?

10 **MR. KINARD:** Well, just as representative of DHEC
11 here, I wanted to kind of let you know we are here more
12 to listen, but also if there are questions that come up
13 about where DHEC -- you know, what our requirements are
14 and where we cover something or where we don't cover
15 something, if you all have any questions about where our
16 responsibilities could potentially overlap, we certainly
17 want to be available as a resource to answer that and
18 basically to speak on what our regulations might cover.

19 **MR. TERRENI:** And we appreciate that. There is
20 obviously, you know, the potential for overlap, and it's
21 something that the Commission and staff would like to
22 avoid, and it's important to us to know not only what
23 those regulations say, but what you all do with them and
24 how they work. So, thanks for coming.

25 Mr. Chairman, if we can proceed through the topics

1 -- unless there are any Commissioners --

2 **CHAIRMAN HAMILTON:** One thing, if I could, Charlie,
3 that I would like to say while we've got this group
4 together, the company rep's, DHEC, and ORS. It's been
5 the goal of the Commission for some time on our water
6 issues, to have a better working relationship between
7 the three agencies that are involved. I know some have
8 responsibility here and others, in it, but I think the
9 more we could operate together and work together -- I
10 think it would make it smoother and better for all of
11 the regulated companies that have to appear before us.
12 And if we kind of knew where we are with the three of
13 us, and I think anything we can do to move forward in
14 that direction would be helpful.

15 With that, I'll turn it back over to you, Mr.
16 Terreni.

17 **MR. TERRENI:** Anybody else on the Commission?

18 [No response]

19 **MR. TERRENI:** The first noticed topic involved
20 recommendations regarding the frequency of inspections,
21 servicing, replacement of infrastructure -- pipes,
22 pumps, et cetera. Just generally speaking, what I would
23 offer is this: You have a public hearing in a case and
24 very frequently customers are saying, "Well, what is
25 this money going for?" You know, and they don't see it,

1 they don't know it. We don't really have regulations
2 addressing any of these issues. We certainly have
3 accounting reviews. The ORS will come in and make
4 recommendations as to the appropriateness of a rate
5 case. and the Commission will review it, but it's all
6 done on an ad hoc basis.

7 If we look at things like frequency of inspections,
8 you know, when some -- the obvious -- you know, the
9 obvious reaction from a consumer when there's a sewage
10 backup in his neighborhood is, "They're not doing --
11 they're not inspecting these pipes frequently enough."
12 Well, the answer from the company is, "Well, you never
13 can get it all the time, and we do it," so often,
14 sometimes. They'll give us a rate, you know, "Ten
15 percent of our pipes every year." There's no -- there
16 is very rarely -- or there is no standard in the
17 Commission's regulations right now as to say, well, how
18 frequent is enough? What is a service protocol? Is
19 that something that is capable of regulation? So that
20 is what we are getting at, can that be improved? And if
21 any of the Commissioners have any specific comments on
22 -- I think it might be helpful, or questions in this
23 area.

24 **CHAIRMAN HAMILTON:** I would just wonder if any of
25 the companies could maybe share with us what their

1 company guidelines are.

2 MR. TERRENI: Or are you familiar with any set of
3 industry guidelines that exist? John?

4 MR. FANTRY: The interesting thing -- and I'm glad
5 that DHEC is here today -- there are a number of things
6 that I think are in the mix right now, that I would ask
7 the Commission to try and correlate with the safety
8 program and the health requirements of all the water
9 systems and the sewer providers.

10 Presently right now -- and please correct me;
11 sort of a layperson in the actual operation -- we have
12 mapping systems, which are required to be on the system,
13 to identify where the lines are, their sizes and
14 fittings. There's a sanitary survey that's taken
15 periodically, roundabout every six months or a year --
16 at least a year -- which talks about what your practices
17 are, looks at your records in regard to some of your
18 water quality testing, and basically is a checklist of
19 what I will call preferred practices that avoid future
20 complications.

21 The Underground Utilities Siting Act fits in there
22 also, with notification on construction. I believe that
23 ties into the regulations. And so there is a system of
24 performance which you, as Commissioners, might be able
25 to get information on, as to what the standards in the

1 trade are.

2 MR. TERRENI: These are DHEC regulations?

3 MR. FANTRY: These are DHEC regulations for water
4 operators and sewer operators. And best practices.
5 They deal not only with day-to-day operational flows,
6 but I think turning of valves, recommended period for
7 turning of valves, joints. Good things that will avoid
8 -- I'm going to use the word infestation, or pollution
9 of the water.

10 Some of it even goes into the management and
11 maintenance practices. So I think there can be
12 regulation, but I would encourage that there be -- that
13 you may want to take beyond what those are, but I would
14 encourage it to be the basic -- the basic operating
15 standard to be coordinated.

16 For example, you talk about maintenance. There's a
17 leak detection program that's required by a water
18 system, where the fact that if you are experiencing some
19 water loss, extraordinary -- anything over 10 percent is
20 considered as nonviable -- anything over 10 percent, you
21 should be out there looking at seeing where this water
22 is not going through your meters, not going to your cash
23 register, where the loss is on that. That also -- well,
24 that just may be one example on it. Perhaps I should
25 really yield the floor here to some of the people that

1 are actually in the business, because of the tests that
2 are required quarterly, I believe, depending on the size
3 of your system, that's -- so that you can get
4 information on so many taps per area, depending on the
5 size and number of wells you have.

6 There's a wealth of practices that are out there
7 that could help you in gauging what is appropriate in
8 your hearing procedure and for the rates. And I know
9 that those -- in the rate situation, you're going to
10 hear about what's required by testings and those items,
11 but maybe the preventive maintenance, maybe the customer
12 complaint reporting system is not -- could be increased.

13 When do you take a line out? We've got water lines
14 in this system that have been put in in the late '40s
15 that are there and have not been changed out. Possibly
16 there's a feeling that it's not broke, don't fix it, but
17 at what point is a line that's been in the ground 50
18 years just basic good business to wait until it breaks
19 because that's more economical than to find it, to
20 actually stepping over the line to, it's going to break,
21 you know it's going to break, you're just betting
22 against time now? When does it become improper? We
23 don't have that kind of standard in the State.

24 **MR. TERRENI:** You don't have a --

25 **MR. FANTRY:** It does not exist. And so when we

1 have large water -- we have water breaks, that's one of
2 the ideas, are you put on notice? Has there been a leak
3 or something out there to do it, or are you just --
4 you've got a part of your system that's working, and
5 we're going to work it until the bug turns over and
6 dies? That's out there now. I'm going to be quiet for
7 a minute on that point --

8 **MR. TERRENI:** You're doing great.

9 **MR. FANTRY:** -- because, I mean, that's some of the
10 things that I get calls about from a community, that
11 says, "You know, we had this water line break out there,
12 and, you know, we haven't seen anybody drive the system
13 or take a look or do it, it just -- now we're out of
14 water."

15 You can have a -- there was a water line break in
16 Lexington County, Town of Lexington, last year, and they
17 didn't know where the master line was to cut it off. It
18 took them three hours to find it because the system maps
19 had not been, you know, brought to speed or -- in about
20 20 years. And then they rebuilt some of the system, and
21 that did it.

22 So there's a lot of discussion, with us, and with
23 the nonprofit water companies that I work with, and I
24 think people who are providing water in general, of, you
25 know, have we kept the right records and how are we

1 doing with that? DHEC does a good job in bringing to
2 the attention of these smaller systems things to be
3 looking at, but most of the time it's, "Well, we don't
4 have enough money to change it over. We can put it off
5 till tomorrow."

6 **MS. BOYD:** Well, can I ask DHEC, since John
7 mentioned that your regulations pretty much cover
8 preferred practices, for inspections and servicing, as
9 Charlie mentioned earlier, sometimes in the public
10 hearings the Commission conducts a customers will ask,
11 "You know, the company is asking for all this money.
12 Where's it going? I haven't seen a truck in the
13 neighborhood," so on and so forth. Do your regulations
14 have time periods for, like, inspections, or how often
15 pipes and other things are supposed to be replaced?

16 **MR. KINARD:** Well, we don't speak directly to pipe
17 replacement. We do speak to inspections. For, say, a
18 drinking water well system that adds any type of
19 treatment, they have to have a certified operator of
20 appropriate grade to go by every day and check on the
21 chemical feed equipment and everything, make sure it's
22 being dosed correctly, that the chemical feed drums are
23 full, whatnot. If you don't add treatment, someone has
24 to go by and inspect it on a daily basis. So there
25 should be somebody going by each one of these wells

1 every day. If treatment is added, it needs to be a
2 certified operator; if not, it doesn't necessarily. It
3 could be a maintenance person. But just to make sure
4 everything is running.

5 In a wastewater treatment facility, we require that
6 a certified operator of appropriate grade also go by
7 there once a day.

8 **MS. BOYD:** Well, let me ask you something else,
9 because -- are there areas of your regulations -- we
10 haven't discussed just putting, you know -- it might --
11 this might already be in our water and wastewater reg's,
12 but that the companies are to comply with -- let's just
13 take the first issue here -- inspections, servicing, and
14 replacements in accordance with DHEC regulation. Is
15 there anything you would change about your existing
16 regulations? I know we're always looking at ours and
17 trying to modify them, you know. Is there something
18 that you would, instead of us just accepting them in
19 total, say, "Well, maybe you all might want to look at
20 tweaking this or that a little bit"?

21 **MR. KINARD:** Our reg's are almost exclusively going
22 to be -- especially on the drinking water side -- and
23 it's easier to talk about that. That's one of the ones
24 -- I mean, you know, the wastewater plants -- well, I
25 don't know what the difference is in the number of

1 complaints you get. I assume that a lot of them have to
2 do water quality and drinking water quality.

3 But on that matter, a lot of what we do is
4 federally mandated. We do have a pretty comprehensive
5 set of regulations about design standards and what
6 people have to do to properly operate and maintain. Mr.
7 Fantry mentioned some of our programs that we require,
8 leak detection, flushing programs, all this. But it's
9 mostly going to be guided toward public health
10 protection, maybe not service or aesthetic issues like
11 smell, taste and odor.

12 I mean, we certainly respond to those kind of
13 complaints because we have to determine is this
14 something that's potentially linked to a health issue.
15 I mean, if you have water that doesn't smell right,
16 maybe it's just, you know, a lake turnover -- if it's
17 City of Columbia -- or maybe it's iron and manganese in
18 a smaller well system. But we always investigate those,
19 but unless it's just a really, I guess, a terrible
20 problem in that area, we don't have the teeth to make
21 somebody make their water taste better, I guess is what
22 -- I mean, we certainly -- as long as it's safe, we will
23 recommend all the things that they can do to improve
24 that, end flushing is one of the -- you know, aggressive
25 flushing we think, just a normal, routine flushing of

1 the system will prevent a lot of these problems, and we
2 do require a flushing program. But you know, sometimes
3 it may not -- it may need to be changed or it may need
4 to be done more routinely than it is.

5 MS. BOYD: Would brown water -- somebody's -- the
6 color, because you said you don't govern or regulate
7 aesthetic issues -- somebody's brown water get your
8 attention, though? I mean, would that --

9 MR. KINARD: It gets our attention. We respond.
10 But that, in and of itself, does not constitute a
11 violation of DHEC regulations.

12 MS. BOYD: Oh, okay.

13 MR. WELCH: I wanted to respond to something you
14 asked a minute ago. You said a lot of times somebody
15 will come in and say, well, maybe their bill -- a
16 customer says, "Well, our bill from our water provider
17 says DHEC fees." A lot of that is the fee that we
18 charge to recover the cost of doing some of their
19 sampling. So like Doug said, if somebody brings a jar
20 of brown water, the first thing that will happen, our
21 regional office will go pull a sample, a bacteriological
22 sample and things like that.

23 So there are fees that we charge each water system,
24 based on the number of taps. A lot of that is directly
25 related back to the cost of pulling samples and having

1 the water samples analyzed for federally defined
2 parameters. I don't know if any of our program is
3 implemented based on that.

4 But specific to infrastructure, because of the
5 pipes being under the ground, I mean, you can't go out
6 there and dig up with a shovel every mile of pipeline,
7 but we do regulate the water valves and hydrants, Mr.
8 Fantry mentioned. Hydrants are every three years, they
9 have to be inspected. And if they find a bad one,
10 we're not the ones telling them, "Hey, you have to
11 replace this." We would kind of leave that up to their
12 own common sense that, "If I don't replace it, I'm going
13 to have a problem."

14 He also mentioned a lot of times, because of growth
15 in certain areas -- as y'all know, South Carolina's
16 growth is exploding exponentially in some areas -- the
17 maps aren't catching up, and the documentation and some
18 of the permitted drawings aren't catching up. Or a road
19 is widened and a valve is buried, and that's why it
20 takes three and four hours to find some of these things.
21 And we don't regulate that, outside of making them
22 exercise their valves, you know, on a schedule.

23 **MR. KINARD:** Another thing I just wanted to throw
24 out there is, I really hope -- with DHEC being here, we
25 certainly don't want to stifle any conversations, you

1 know, from the water systems about, you know, what their
2 practices are or anything. I mean, we -- so, I mean, if
3 we find -- if you all feel like, you know, we're kind of
4 inhibiting that, we'll be happy to either get up and
5 leave or plug our ears or whatever. I mean, in other
6 words, I would like for the water systems to feel free
7 to kind of give their perspective, without worrying
8 about whether or not DHEC is listening and taking notes,
9 because we won't. I mean, I promise you, we're not
10 going to be chasing after you after you leave and trying
11 to track you down.

12 **CHAIRMAN HAMILTON:** I join with that, and we
13 reiterate that this is just an open work session. No
14 one is under oath. And it's just for the Commission's
15 information, and the final result will affect the
16 companies, so I would hope, too, that they will speak
17 their piece today.

18 **COMMISSIONER FLEMING:** I'd like to ask a question
19 about your best practices, as far as keeping the sewer
20 lines clean. We hear a lot about tree roots blocking
21 sewer lines, and I know, you know, some cities have a
22 rule that they clean their lines out one to two years,
23 depending on the area, and then we hear other companies
24 have a different one, like once every ten years. Do you
25 have a set of what the best practices are, of keeping

1 sewer lines clean?

2 **MR. KINARD:** Well, I'm a little bit at a
3 disadvantage in that Rich and I both -- our background
4 is in drinking water, mostly, and I know probably the
5 smaller the sewer line, the harder it is, probably, to
6 keep clean, would be my guess. Certainly harder to keep
7 unplugged. And I would ask some of the folks here with
8 the systems what they think. Their opinion would
9 certainly be more knowledgeable than mine.

10 **MS. BOYD:** Mr. Parnell?

11 **MR. TERRENI:** Yeah.

12 **MR. PARNELL:** From what I understand, over at
13 DHEC --

14 **CHAIRMAN HAMILTON:** Let us get a mic for you, so
15 all of us can hear you.

16 **MR. PARNELL:** Okay. From what I can understand,
17 the federal government has -- they're issuing new rules,
18 and it's called CMOMs, which is supposedly -- I don't
19 believe the State has got it in full effect yet, but
20 supposedly it's going to outline the maintenance and --
21 all the maintenance issues in a collection system and
22 pumping system, for all type of utilities in wastewater.
23 But I've heard about the CMOMs coming down the pike for
24 several years, but haven't -- I don't think DHEC has
25 really set a program up for it yet.

1 **MR. KINARD:** It does exist in -- it's a federal
2 program. EPA pushed, I guess is what you'd call it --
3 it's not mandated at this point. It stands for
4 Comprehensive -- I think it's Comprehensive Maintenance
5 Operation and Management, and it does deal specifically
6 with collection systems. And at this point, on some
7 occasions where we've had inflow and infiltration
8 problems into sewer lines that have caused overflows
9 either at manholes or even overwhelmed the treatment
10 plants, we have required the CMOM evaluation as part of
11 an enforcement order against a utility, if we know or
12 suspect that that's what's causing the problem.

13 It is -- it's sort of best management practices for
14 sewer systems. I'm not extremely familiar with it, but
15 I know about the concept and I know there's
16 documentation out there, both on EPA's website and I
17 believe we have some information on ours, as well, that
18 outlines what's involved.

19 **COMMISSIONER FLEMING:** And I'd like for you to talk
20 a little bit about where -- going back to what Mr.
21 Terreni was talking about earlier -- areas where we do
22 overlap. Could you -- where DHEC overlaps with the
23 Public Service Commission.

24 **MR. KINARD:** Well, I mean, anybody can jump in.
25 Certainly, ORS -- we work closely with them on some

1 projects. A lot of times, where we find that we have
2 water quality issues, especially smaller systems,
3 there's also a service issue. Of course, we deal with
4 both public and private, so we have a little bit bigger
5 universe to deal with. But there are several projects
6 we've worked with ORS where not only have we been
7 concerned about water quality, but whether or not the
8 system will actually continue to be able to serve their
9 customers.

10 So I would say, you know, we end up with a lot of
11 the same folks that -- where we get complaints, we're
12 going to assume that the PSC -- those are the same
13 systems you all will get complaints about. So we
14 overlap on just about every one where there seems to be
15 problems. So again, we respond to different issues but
16 we respond, both, to the same complaints.

17 **COMMISSIONER FLEMING:** Are there any areas where
18 the regulations contradict each other, that we could
19 work together to make them more compatible, to help each
20 other?

21 **MR. KINARD:** Well, I'm not incredibly familiar with
22 all of your regulations. I don't think there are --
23 we've never come across a situation where we felt like
24 we were directly conflicting with PSC on water quality
25 or issues like that, certainly.

1 **MR. FANTRY:** Commissioner Fleming, could I jump in
2 here to do two things? One, as a former town attorney
3 of a small town that had its own sewer operation, I
4 might just reflect on what we experienced there, you
5 know. And that was that our system that had been put in
6 the ground in the early '30s -- and it's a small town
7 and really hadn't changed much -- had experienced some
8 tree growth in the area, some undersizing, water
9 infiltration, as more pavement and things were turned
10 around. And it's a dollar issue for them, because while
11 there are many grants or applications for reduced
12 funding that's applicable for building a system, the
13 systems -- the retrofitting of them is not there in the
14 process right now.

15 So you can't go to Farmers Home, which was the
16 primary source, and get money to redo something because
17 you should have -- should have -- been putting money
18 aside to take care of that maintenance, but the smaller
19 communities will do -- we're not going to raise rates to
20 do that.

21 Some of the issues that come out of this is the
22 change from a DHEC regulation, which is addressing
23 health, and I think I heard clearly -- and I agree with
24 it -- that, you know, there's a difference between doing
25 something because of a health matter, safety, and

1 whether or not it's economically feasible to do it. So
2 whereas the Commission is looking at the rates and those
3 abilities and may say, "Well, based on what you have
4 spent, we're going to build that into your rate," DHEC
5 is often faced with the unpleasant saying, "We really
6 understand that there's not money to do it, but it's a
7 health issue. Get it. You're under order to get it."

8 So we're doing this balancing act. So if there is
9 conflict in it, from the standpoint of the persons that
10 you would regulate, there's a lot of pressure on them
11 from time to time to deal with health matters that have
12 to be built into the rate, and you are going to get that
13 request, and you're going to have the smaller systems
14 that are limping along with rates that are adequate,
15 trying to build up and meet some of these things, to
16 some points where they are financially distressed and
17 will come in and say, "You know, what can we do, you
18 know, other than this upgrade? What can we do, other
19 than making -- modernizing our maps, we'll do it next
20 year, you know. Let us keep working on it."

21 **MR. TERRENI:** Just following up on that, John, I
22 mean, the conundrum on the Commission's side is, it's
23 one thing to pay top dollar -- to have consumers that
24 are paying top dollar sometimes for good service and
25 good quality water. You know, the prices are what they

1 are. They may not be happy with them, but at least they
2 don't have those issues. It's quite another thing to
3 have consumers paying top dollar, or any price for --
4 because they're going to always consider it top dollar
5 under these circumstances -- when the service isn't
6 good, and the response isn't good, or there are a lot of
7 problems in the system.

8 So you're saying, you know, the utility is being --
9 pulling one way, saying, "I've got to address these DHEC
10 regulations." Well, certainly, they're mandatory and
11 they have got to be built into the rate base. But on
12 the other side of the coin, the customers are going to
13 be far less accepting of that rate increase if their
14 sewers are backing up, you know, on the golf course or
15 in the backyard, because the lines haven't been
16 maintained on a regular schedule.

17 And the Commission finds itself saying at what
18 point do we factor what you're getting for your money
19 into the rate decision, and how do we do that? And it's
20 asked to do that, I think, in various ways, in just
21 almost every case, and this is part of the deliberation.
22 Is there some way to just lay that out, you know, in a
23 rule, that gives everybody some guidance and says this
24 is what we're going to be looking at and this is how
25 we're going to look at it?

1 And also, part of that that DHEC, I think, might be
2 able to help us with is, is there data already out there
3 being reported to DHEC for health and safety reasons,
4 primarily, that could guide us in making those other
5 determinations?

6 **MR. KINARD:** Well, we do a lot of monitoring on
7 public water systems. Again, part of the fee system
8 Rich mentioned a little while ago, we test for almost a
9 hundred different contaminants in every water system at
10 some point on some frequency. We do bacteriological
11 monitoring -- well, the systems do it monthly and they
12 report to us. So we have a lot of information.

13 Now turning that into what's the water quality out
14 here, you know, into some type of formula, numeric type
15 thing, might be difficult. Like we score restaurants, I
16 mean, A to C or whatever. You know, that might be very
17 difficult. I know that would be extremely difficult to
18 do.

19 **MR. TERRENI:** Right.

20 **MR. KINARD:** One thing you mentioned -- actually
21 where we see the most problems with systems that aren't
22 able to provide service, it's a lot of times I think
23 been that they collected money over time but didn't plan
24 for the future very well. I mean, I know this may be an
25 area where I don't know -- I don't want to go in any

1 direction that's not appropriate, but I know that the
2 whole issue of not being able to have a capital
3 improvement fund has been an issue.

4 And we have seen that before, where they have to
5 pay for something and then recoup the money through
6 rates, a lot of people are running on that thin edge and
7 just aren't able to do it, and they do let things go.
8 So, I mean, that's just one issue. I don't necessarily
9 want to get too far into that or into a debate about it,
10 or anything. But not planning well and having a reserve
11 fund really taxes the ability of some of these systems
12 to respond when something really, really pricey breaks.

13 **MR. TERRENI:** Uh-huh.

14 **CHAIRMAN HAMILTON:** Let me ask you one question.
15 On your website, is there availability to check the
16 water quality of different companies? DHEC warnings,
17 DHEC fines, et cetera?

18 **MR. KINARD:** We don't publish fines on our website.
19 Actually, you can go through the EPA website and get
20 water quality information on any public water system in
21 the nation.

22 **CHAIRMAN HAMILTON:** In the State? Okay.

23 **MR. KINARD:** We have an annual water quality report
24 that we produce that anyone can have access, can
25 download it. Or I think we'll even provide hardcopies,

1 if necessary. But it will outline every violation of
2 any drinking water standard for -- you know, it's an
3 annual report of all the water systems in the State.

4 **COMMISSIONER WRIGHT:** Mr. Chairman?

5 **CHAIRMAN HAMILTON:** Yes, sir. Commissioner Wright.

6 **COMMISSIONER WRIGHT:** I think I've got a follow-up
7 on a couple of things, so pardon me if I ramble just a
8 second, but to address the capital improvement fund, the
9 concept, okay, there are, I believe, Butch -- I believe
10 maybe there's some federal programs or maybe there's
11 some things that we're not able to tap into in South
12 Carolina, and I really think it probably is addressed
13 more if somebody wants to merge or to buy a system out.
14 You know, you've got the old plant in-ground, you know,
15 and it's kind of cost prohibitive, and they're looking
16 for some kind of incentive to come in and do the
17 purchase, and maybe there's a way where existing
18 companies can improve their systems, too, with that, but
19 I don't think we have the ability, from legislative
20 authority, to do that. So, one thing I think that we'd
21 want to look at while we're talking about this is, is
22 there something that would need to be addressed
23 legislatively that we could recommend, that would help
24 things such as a capital improvement program.

25 Second point that I wanted to mention was if, in a

1 rate case, we hear customer complaints about not just
2 water quality -- which is another question of how do you
3 define that -- but they say they're not spending the
4 money the way they said they were going to do it, and,
5 you know, possibly they're not. I don't know that. But
6 do we need to look at possibly, when somebody is looking
7 at bringing a rate case forward, earmarking a certain
8 amount of money in a pot for capital improvements to
9 replace existing plant in-ground or aged plant in-
10 ground, so that you would get that yearly percentage of
11 upgrade or five years, or whatever it is, so that the
12 money is being spent, guaranteed it's being spent,
13 rather than granting a rate case but you don't know
14 whether or not it's going to happen, until the next case
15 is brought forward. Any thought or comment on that?

16 **MR. KINARD:** Well, the first program I think you're
17 referring to is the State revolving loan fund program,
18 which we do have restrictions on it being loaned to
19 private companies. I'm not sure exactly why that is,
20 whether it's just some decision that was made somewhere
21 or if it's actual legislation that was passed. But we
22 do have that restriction.

23 On the second part, talking about the theory of the
24 capital improvement fund, I mean, certainly I think the
25 Commission would want some way to make sure the money is

1 being spent on capital improvements and not just bottom
2 line, you know, profit back to the company. Certainly
3 there would have to be something in place to do that.
4 But most of -- just about all of our municipal systems,
5 not all of them, do have some type of mechanism in place
6 to save up money for replacement cost. And that's -- we
7 highly recommend that.

8 Actually, I think in Florida, it's required. The
9 State of Florida requires a certain amount of money to
10 be set aside to replace equipment that fails, so they
11 have to have one. So, depending on -- you know, again,
12 there's a lot of complications with it, I'm sure, but
13 again, with our public utilities, where they can, we
14 highly recommend that.

15 MR. FANTRY: Commissioner Wright --

16 COMMISSIONER WRIGHT: Yes.

17 MR. FANTRY: -- one thing I think was excellent
18 that you said, if I were doing a rate hearing, I would
19 like to know if they were meeting their sanitary survey,
20 I'd like to know if there have been complaints from the
21 system, and I'd like to know if they have adequately
22 maintained the system, which would be done by
23 violations. And I think that's what a town -- the town
24 councils are doing when they are trying to adjust their
25 rates. So you have a different perspective for those

1 companies that you are regulating, in getting that
2 information. I think -- this is only personal. I think
3 that would be appropriate, when you do it. And looking
4 at whether or not there is a fund set aside for
5 replacement. Depreciation is not often used -- those
6 dollars that come back are not often used to replace
7 those items.

8 The Budget and Control Board fund in the private
9 sector for for-profit corporations would have to be
10 routed through a governmental body, because it's a bond
11 to entities, and they can't receive them. So there are
12 counties who could help a system out in the community by
13 -- Mr. Hamilton, I think you did it when you were on
14 council. But it's very tight and the money has to be
15 shown to be replacing a crisis item or dealing with
16 something that would be health related, so that it does
17 not go to profit.

18 The mechanisms for a regulated system are -- I
19 mean, they only have the rates to go through it, or
20 borrow the money and then come back and try to get it
21 through the rates. And developer systems will either be
22 -- once it's built out and they become homeowners
23 association things, you know, seems to be probably where
24 a lot of the problem is, because they just want to plan
25 for today, cost of today, let tomorrow worry. And they

1 may not come in for a rate increase. You may not get to
2 hear the condition of their system because --

3 MR. TERRENI: In most cases, we don't hear --

4 MR. FANTRY: -- they'll let it go 15 years -- you
5 know, 15 years, and then they're in crisis mode, and
6 they come in and say, "You know, we had to spend a
7 million dollars, we had to do this and that, and what
8 will you give me to replace it?"

9 MR. TERRENI: And if it's a homeowners association,
10 we're not going to regulate them.

11 MR. FANTRY: Because they've requested the
12 exemption.

13 MR. TERRENI: Yeah.

14 MR. FANTRY: Yeah.

15 MR. TERRENI: So we may not even see those systems.

16 COMMISSIONER HOWARD: Mr. Chairman.

17 CHAIRMAN HAMILTON: Yes, sir. Commissioner Howard.

18 COMMISSIONER HOWARD: To follow up on Commissioner
19 Wright, and I think where the conversation is going,
20 several states have a mechanism in place called DISC,
21 which stands for Distribution System Improvement Charge
22 or -- but basically the way that works, and I think
23 Pennsylvania has probably been the state that's most
24 successful with it, is there's a line item on the
25 customer's bill each month, a percentage, and I think

1 the typical percentage thrown around -- and Mr. Morgan
2 has sat on several meetings with me where this was
3 discussed -- but the percentage generally thrown around
4 is 3 percent and it's added to the customer's bill each
5 month, and that charge has to be used for improvements
6 in infrastructure. It can't be used for any capital
7 improvements, just infrastructure improvements. I guess
8 I'd like to comment on that system. I think
9 Pennsylvania recently raised theirs, through some
10 controversy, and Pennsylvania is now 5-1/2 percent. But
11 anyway, the range is anywhere, I guess, from 2 percent
12 to 5-1/2 -- 7-1/2 percent. I'm sorry. But I'd like any
13 comments on that. Is that something that should be
14 looked at, at whatever level looks into these things, or
15 if anybody has had any experience with that surcharge.

16 [No response]

17 **COMMISSIONER HOWARD:** Don't all speak at one time.

18 **MR. KINARD:** I'm actually unfamiliar with that
19 program. I haven't seen that before.

20 **COMMISSIONER WRIGHT:** Well, I guess the purpose of
21 it, obviously, you know, you've got systems that are 50,
22 75 years old in the ground, pipe in the ground. And I
23 mean, we were even in New York the other week, and they
24 still have water coming through wooden pipes up there.
25 But anyway, that surcharge that he's talking about is

1 exactly -- that's exactly what I was talking about. And
2 I don't know that we have authority here to do that yet,
3 but that's kind of what I was suggesting. You know,
4 there may be some things legislatively that we need to
5 think outside the box on, to see if there are ways that
6 we can help with averting some of these problems or
7 being a little bit more proactive rather than them
8 getting to a crisis mode and come to us for some type of
9 relief.

10 **COMMISSIONER FLEMING:** I want to -- if I could go
11 back to the water. You say you have engineers, or the
12 companies check the water daily, so that they know that
13 the quality of the water is safe for drinking. And so
14 how does that work? Do they notify you if it's not
15 safe? And if it's not safe, do they have a certain time
16 limit to notify the customers? How does that system
17 work?

18 **MR. WELCH:** Typically, as Doug mentioned -- well,
19 the largest systems are the surface water, the most
20 complicated. They take numerous measurements per day,
21 different tests, and they report to us at the end of the
22 month. That's the federal requirement. They send us a
23 15-page report, and we have compliance officers and an
24 engineering staff to review that, to make sure it's in
25 parameters.

1 Most of the time, if they fall out of one of those
2 they will call us and tell us. Not always. A lot of
3 times we don't know if something happened at the
4 beginning of the month until we review it the following
5 month. That happened recently. We called the system
6 in. We had some words with them. You know, so that
7 kind of ironed out.

8 The smaller systems, small groundwater systems,
9 right now there is no requirement that they submit
10 anything to us, outside of their monthly
11 bacteriologicals, as Doug mentioned. There is a new
12 federal regulation that will go into effect within the
13 next couple of years that will erase some of that, and
14 they will also have to report to us.

15 So there are mechanisms in place. If there is some
16 kind of problem, we would expect that they would notify
17 us. I don't know that that's anywhere in the
18 regulations that they -- it depends on what it is.
19 Certainly, line breaks, if they issue a water notice,
20 they send us a copy, and then to all --

21 **COMMISSIONER FLEMING:** And do they have a time
22 frame for notifying the customers.

23 **MR. WELCH:** It depends on what it is. If it's a
24 serious health issue, it's usually right way. As soon
25 as possible, but no less than 24 hours, I think -- is

1 that the way it --

2 MR. KINARD: Well, that's with any type of acute --

3 MR. WELCH: No greater than 24.

4 MR. KINARD: Yeah. Any type of acute -- like if
5 they found bacteria in the water, which we use -- total
6 coliform is our indicator organism that we use to
7 determine whether or not there's potentially any
8 bacteria, which in and of itself is not dangerous, but
9 it's kind of just an indicator, a relatively quick test,
10 that's inexpensive to run. And all these community
11 water systems, which is all, I guess, you all would be
12 dealing with, they have to do that on a monthly basis,
13 depending on size as to how many samples they take.
14 They don't necessarily take a bacteria sample every day.
15 But if they add treatment, they'll take, say, a pH
16 sample and chlorine residual sample every day, which
17 that is something that would be kind of an indicator of
18 if something was wrong. And, yes, they should notify us
19 right away if they find any serious problems. If they
20 find a bacteriological problem in their system where
21 they're going to have them exceeding a maximum
22 contaminant level, they're supposed to let us know that.

23 COMMISSIONER FLEMING: And they would know that on
24 their daily check?

25 MR. KINARD: Right. Well, they would know whether

1 or not they've had -- they wouldn't necessarily know if
2 they'd had a total coliform MCL exceedance, because they
3 don't take those every day, but, say if they ran out of
4 chlorine and they're not getting a residual in the
5 water, they would know about that, and that would
6 indicate that they need to do something to correct the
7 problem.

8 MR. WELCH: I wanted to mention, too, the word
9 "sanitary survey" has been thrown around today. I don't
10 know if everybody is familiar with what that is, but
11 with drinking water, that's a federally defined
12 inspection of the drinking water facilities, to include
13 distribution system. They're required every three years
14 by EPA, but DHEC has a goal set of every year on a
15 community water system. And so on the larger
16 facilities, larger surface water plants and even the
17 larger groundwater, we sit down with them, a DHEC
18 inspector goes out, goes through regulations with them,
19 reviews their plant, reviews their records, monitoring
20 records that they've submitted to us. A lot of times,
21 if we get something on one of those monthly reports I
22 mentioned, the parameter might be a little bit out of
23 line but it's not a public health issue, or they're
24 calculating something wrong but it's not that big of a
25 concern healthwise, we would kind of go over that stuff

1 with them at that yearly inspection. That is our
2 target, and I think we're kind of ahead of the game, as
3 far as other states go. I don't know -- we're one of
4 the few that do that, as far as I know.

5 **MR. MELCHERS:** Mr. Kinard, you had mentioned
6 aesthetic standards. Are those the -- how do you define
7 those? Are those secondary maximum contaminant levels
8 set by the feds?

9 **MR. KINARD:** Generally. That's what we would
10 consider an aesthetic standard. Sometimes -- I mean,
11 there are some things -- well, you do have odor, I
12 guess, is in there. Sometimes water will have an
13 altered taste, but you don't have a standard for altered
14 taste but you know it when you see it. So, I mean,
15 those are the kind of things -- and again, we do
16 investigate those, just to make sure it's not coming
17 from anything that could potentially be a health issue,
18 but a lot of times if it's not -- and a lot of times
19 we'll figure out what it is. Iron is one of the ones
20 where -- that's brown water. Iron and manganese, that's
21 brown iron, dirty water, you know. We'll get that
22 sometimes. And sulfur dioxides and other things, we --
23 rotten egg odor, in some well systems we'll run across
24 that here and there. And again, it's something we
25 encourage the water systems to fix, but we don't have a

1 standard we can take them into say an enforcement action
2 against them and make them do it, unless it's just
3 completely to the point that it's unusable. If the
4 water is unusable, we would take an action on a
5 secondary maximum contaminant level.

6 MR. TERRENI: Are there recommended levels for
7 these contaminants?

8 MR. KINARD: Well, that's -- the secondary maximum
9 contaminant levels are, for lack of a better word,
10 recommendations on iron, manganese -- iron, is it .1,
11 and manganese is .03 milligrams per liter.

12 MR. TERRENI: But did I just hear you say that you
13 could be within those levels and still have --

14 MR. KINARD: Yes.

15 MR. TERRENI: -- poor aesthetics?

16 MR. KINARD: It could be noticeable.

17 MR. TERRENI: Okay.

18 MR. MELCHERS: Even if you're outside those levels,
19 what does DHEC do about it?

20 MR. KINARD: Again, it's something where we'll
21 encourage them to add treatment. If it's a new system,
22 sometimes we might would require treatment if it's
23 enough above that that we feel like it's not going to be
24 something that's even usable as a water source. So we
25 have required treatment on secondary maximum contaminant

1 levels, but going in and enforcing those, if we were
2 taken to court on it, it might be a little bit
3 difficult.

4 MR. TERRENI: But they're measured, in any case.

5 MR. KINARD: Yes.

6 MR. TERRENI: And if you've got a public system out
7 there, it should be measured.

8 MR. MELCHERS: How frequently are MCLs measured?
9 Is it according to the size of the system?

10 MR. KINARD: Right, and the contaminant. We have
11 -- a lot of the chemical contaminants, which are a lot
12 of them, shouldn't be in the water, ever. I mean, it's
13 things -- pesticides, things like that -- that you
14 wouldn't expect to find in a water system. We do a
15 round of sampling every quarter for a year, and if you
16 don't hit it, you go to a every-three-year cycle; but if
17 you hit it, you go back to the every-three-month cycle.
18 It's a lot of complicated ways to make that
19 determination.

20 The ones that are most often taken are the bacteria
21 samples, which are every month for most any system --
22 any community system, they have to do that every month.
23 And if they add chlorine, then chlorine residuals are
24 usually taken daily, and pH readings, things like that.
25 So -- disinfection byproducts are taken quarterly. But

1 again, if we don't find that at certain levels, you can
2 go to a less frequent sampling.

3 **MR. MELCHERS:** Why were the secondary MCLs set, in
4 the first place? What was the governmental purpose
5 behind even setting those standards?

6 **MR. KINARD:** That's a good question. They were
7 there when I started in '91, and they've always been
8 there, so I'm not really -- I know the EPA wanted to set
9 some standards for aesthetics, but I think it even says
10 specifically in their literature they're non-enforceable
11 standards.

12 **MR. WELCH:** I think it gets back to what you were
13 saying earlier. If you're within the maximum
14 contaminant level, that's the maximum allowable, with a
15 safety factor. Over that, you start getting into health
16 problems. Like fluoridation, that's been a big issue.
17 If you're over the MCL of four, that's -- as you get six
18 and eight and higher, that's a big deal. If you're
19 under that, well, healthwise it's not the best
20 situation, so let's set a level lower than that, that if
21 you maintain that then you're always in a good health
22 situation up to that secondary. As you get above the
23 secondary approaching the maximum contaminant level,
24 some of those things -- color is another one. The color
25 standard -- there is no maximum on it, but the secondary

1 -- as you get above that, you start getting into brown
2 water, more and more brown water, it may have a little
3 tinge to it at the secondary, which isn't that big of a
4 deal. Certainly, you don't want to drink muddy water.
5 It may not be harmful for you, but it certainly --

6 **MR. KINARD:** Actually, fluoride is a very good
7 example, because you have both the primary and secondary
8 MCL. The secondary -- between -- that is set based on
9 actual pitting of the enamel on your teeth and molting
10 of your teeth. I mean, at the secondary, that can
11 happen if you drink enough of it. But after it gets to
12 the primary, EPA says there actually could be adverse
13 health effects, not just cosmetic, you know, of your
14 teeth not looking good. So that's kind of a really good
15 example of the difference between a primary and
16 secondary standard.

17 **MR. FANTRY:** If I might, here, to answer your
18 question Mr. Terreni, that EPA -- why did they back away
19 from aesthetics. As a member of the National Rural
20 Water Association for about 20 years, there are a lot of
21 systems -- not so much in South Carolina, but around the
22 country, that we're talking about 50 to 100 to 150 users
23 on it, and while they're addressing the health needs,
24 when you get into too much aesthetics or you get into
25 best practices and get into those items, that you're

1 making water unaffordable. And on the national level
2 before EPA, that has been a big battle, how extensive
3 the testing should be in relationship to a New York
4 City, and on one- or two-well systems that may have 300
5 customers on it.

6 And so where South Carolina is a state that has
7 accepted the EPA responsibility for enforcement -- if I
8 remember how that goes -- to apply those laws, and has
9 the ability to exceed those in their own jurisdiction,
10 it's, again, the politics of how much is enough. So I
11 think, you know, the EPA does the same thing. We're not
12 going to go into how beautiful, how tasteful, your water
13 is going to be, because it's just too darned expensive
14 for the technology and the science that's before us
15 today.

16 **MR. WELCH:** That's another distinction, too. The
17 EPA federal regulations are written to cover nationwide.
18 We may have pockets of elevated fluoride here in South
19 Carolina, or uranium -- everybody's heard of that up in
20 the Simpsonville area, of radionuclides. Well, they set
21 a national regulation to cover nationwide, and as Mr.
22 Fantry said, we may have different -- different cond- --
23 we do, we have different conditions here in South
24 Carolina than other states have to deal with, so that's
25 part of it.

1 **MR. MELCHERS:** I guess the reason that I'm going
2 into that inquiry about secondary MCLs is, would DHEC
3 consider that an appropriate aesthetic standard? As I
4 understand your discussion about aesthetics, what came
5 to mind were those secondary MCLs, and I'm curious, is
6 that how you define aesthetic standards or are there
7 other standards that we might look to in addition to
8 that?

9 **MR. KINARD:** Well, there are some aesthetic
10 problems not caused by secondary -- maximum contaminant
11 levels and secondary contaminant. I think in some
12 instances you can have water above the secondary MCL
13 that's not necessarily aesthetically unpleasing. I
14 mean, some of it, you know, it's possible. We've seen
15 above secondary MCL where people -- we've not even had
16 complaints about it. Not really sure what the -- you
17 know, maybe they're used to it or maybe they've always
18 had it.

19 We have a big problem in groundwater with iron and
20 manganese in the State -- I mean, certain parts of it.
21 The other part of it is it's expensive to treat. If you
22 don't add treatment -- the most expensive thing is, once
23 you add treatment, you have to have daily operator
24 visits by a certified operator, which that is something
25 that throws you into a whole different cost dynamic

1 there.

2 But to get -- I really can't answer, but I know I'm
3 kind of dancing around a little bit, but it's a
4 difficult question. It's really a case-by-case basis,
5 and you know, we have folks who are supersensitive to
6 chlorine and to them, the amount we put in there to
7 protect public health is objectionable. So
8 aesthetically, they're not happy with their water
9 aesthetically, but we regulate that it be that way, so
10 it's kind of -- it's really a case-by-case basis.

11 **MR. MELCHERS:** And that would be driven by the
12 local water conditions, when you say it's case-by-case?

13 **MR. KINARD:** Yes.

14 **MR. MELCHERS:** Thanks, very much.

15 **MR. TERRENI:** But at the same time, the answer
16 could be, "We have this secondary MCL and we recognize
17 that it's excessive, Public Service Commission, but the
18 cost of treatment would be this much, and in our
19 judgment that's more than the customer base can bear,"
20 and the Commissioner might really just have to make that
21 decision. And at least when the consumers are saying,
22 "Hey, I've got water I can't wash my clothes in," if the
23 Commission has got a finding that says, well, we
24 recognize that's true, and however unfortunate it is, we
25 don't think you want your rates increased by another 25

1 percent to cure that situation, at least there's an
2 informed decision about it. And maybe they come back
3 and say, "Yeah, we do." You know, I mean the difficulty
4 right now is the discussion never gets beyond, "My water
5 stinks," or, "I can't wash my clothes," or, "I can't
6 drink it," and the Commission is left with what you are
7 saying is, are these people hypersensitive or is it just
8 not a good deal or -- you know.

9 **MR. KINARD:** If we get a complaint and we
10 investigate it, I mean, we're more than willing, upon
11 request, to share that information with the Commission,
12 if we have some sample results or anything that says
13 it's above a certain level. That's probably the
14 information you're lacking is, they say the water
15 stinks. We may know why. But I mean, you probably are
16 not given that information, because they're not going to
17 just volunteer, "Oh, we got iron, you know, in excess of
18 secondary maximum contaminant level. That's why that
19 smells and they don't like it."

20 **MR. TERRENI:** Yeah.

21 **MR. KINARD:** Yeah.

22 **MR. WELCH:** I'd like to respond, too, to your
23 question a second ago about whether those are -- whether
24 DHEC would consider them acceptable standards. A lot of
25 times we defer back to EPA. They set that level based

1 on university research, based on consultant research.
2 There is a National American Water Works Association
3 that's actually international. They've done research
4 nationwide, they sponsor projects that are individual
5 water systems. So a lot of our judgments or
6 determinations or interpretations are based on some of
7 the research that's been done, scientific research.

8 So where somebody might say, "My water stinks, my
9 hair is all falling out because of it," we would have or
10 we could hopefully find some kind of scientific evidence
11 to either refute that or uphold that.

12 **COMMISSIONER HOWARD:** I have a question. Just a
13 rough guess, what percentage of the public's water
14 systems have some type of filtration or treatment prior
15 to entering into the distribution stream?

16 **MR. KINARD:** You mean the whole universe, or just
17 privates, or just --

18 **COMMISSIONER HOWARD:** Well, either one. I was
19 thinking, in particular, public, but private or --
20 either one, really.

21 **MR. KINARD:** I'd say treatment, probably -- the
22 entire universe -- if we take the State water system
23 into account, which are very, very small water systems
24 -- you probably are at 60 percent. If you go to the
25 community water systems, which basically serve homes,

1 not just businesses but homes, you're probably closer to
2 75 to 80 percent add some sort of treatment. And that
3 is a really rough guess.

4 **COMMISSIONER HOWARD:** I understand. Let me ask one
5 other question on a different subject, following up,
6 again, on Commissioner Wright, talking about large
7 companies or companies using take-over or merger or
8 buying a smaller company. And one of the mechanisms
9 used by some states is a forgiveness clause of fines
10 that might have been acquired or accumulated by the
11 nonviable company or the company being taken over. Do
12 you all have a forgiveness clause on that?

13 **MR. KINARD:** We don't call it that, but we -- when
14 we have enforcement actions against individual water
15 systems, if they have agreed to connect to a larger
16 water system, basically, if they're nonviable and have
17 said, "We don't really want to be in the water business
18 anymore; we want to turn our system over to this
19 municipal system or somebody else," we'll do what we
20 call stipulate the penalties, in other words, "Do this,
21 tie on, and as long as you do all that, you don't have
22 to pay the penalty." We use that fairly frequently,
23 especially for the drinking water program.

24 **COMMISSIONER WRIGHT:** Do you do that with the
25 private-to-private sale or merger?

1 **MR. KINARD:** I can't remember that occurrence, but
2 we wouldn't -- we would not distinguish between whether
3 it's private or public entities doing it, as long as
4 it's another approved public water system.

5 **COMMISSIONER MITCHELL:** Could you just speak to me
6 just a little bit about the water pressure? We've heard
7 that discussed a lot of times before us in hearings. Is
8 it argued that a certain pressure is the right amount of
9 pressure, or as you talked on several occasions about
10 small water systems, large water systems? Is there a
11 standard, should there be a standard, or should one
12 standard apply to all?

13 **MR. KINARD:** Well, we have a standard of 25 pounds
14 per square inch at the connection, each connection. It
15 can go as low as 20 during heavy flows or fire flow.
16 That's the DHEC standard. And that's basically
17 intended, again, not as a service issue but to maintain
18 positive pressure so that you don't have any type of
19 backflow into the water system. So that is a -- we look
20 at it as a health-based standard, with a factor of
21 safety included there.

22 But to answer what I think your question is, should
23 we have a minimum for service --

24 **COMMISSIONER MITCHELL:** Right, that's where I'm
25 getting at. I mean, if the company would like to

1 respond too, any of the companies. We've just heard
2 that argued a lot. You know, you get in a water hearing,
3 "I don't have enough pressure." "I've got too much
4 pressure." And I understand the problem with the older
5 lines, that that can be a significant problem if you're
6 thrusting a lot of pressure in there.

7 I just wonder, has anybody here, you know, got
8 anything they would like to contribute along that line
9 that might help the Commission when we get involved in
10 certain cases like that, especially approving any funds
11 for that. Or maybe on the company line, I know we have
12 some company people here. Certainly, I would like to
13 hear what they have to say about if they've got any
14 suggestions, or they think it's fine like it is.

15 **MR. KINARD:** Commissioner, most people aren't
16 satisfied with 25 pounds, I can tell you that.

17 **COMMISSIONER MITCHELL:** I can assure you they're
18 not. Yeah.

19 **MR. KINARD:** They're not happy if that's what they
20 have.

21 **COMMISSIONER MITCHELL:** So I guess what I'm asking
22 is, what suggestion do you all have to try to work
23 around that problem? Because I can assure you when we
24 have any hearing anywhere, pressure is going to come up.
25 Quality of water, but pressure's going to be there too.

1 And I understand all the different circumstances.

2 MR. FANTRY: If I can break your pressure question
3 into two areas --

4 COMMISSIONER MITCHELL: Okay.

5 MR. FANTRY: -- one is that my experience with
6 pressure questions has been fire flow and the size of
7 line for fire flow. And from the perspective of water
8 companies that I have worked with, which are many of the
9 nonprofits, that the lines were built for water flow,
10 not fire flow. Funding was not available for fire flow.
11 So you have many of the small -- some systems that
12 either didn't put it in, or they put in on very sparing
13 levels. And there has been for a number of years -- at
14 least five that I'm aware of -- real discussions between
15 the volunteer fire departments and the fire agencies in
16 this State, as trying to require fire flow on the
17 construction of lines as being a requirement of water
18 service. And that's a new jump. And, which, many of my
19 small systems say we can't -- you know, we're not in the
20 business to provide fire flow. We were here to provide
21 the water. And if you're going to do fire flow, then we
22 need to go to the counties or go to -- you know, to
23 supplement that area.

24 COMMISSIONER MITCHELL: Yeah, and I appreciate it,
25 because that certainly is an issue on insurance issues

1 and you will hear that mentioned along with the
2 infrastructure issues that were brought up by the other
3 Commissioners there, is, what comes first. I know
4 that's always -- in the eight to nine years I've been on
5 the Commission -- should the company bill first and then
6 come to the Commission with the bill, or should we
7 approve funds prior to building the infrastructure to
8 keep up? That and pressure issues is what I've always
9 heard since I've been here, and I appreciate all y'all
10 contributing. So far it's been very helpful.

11 **CHAIRMAN HAMILTON:** It certainly has.

12 **MR. TERRENI:** One of the topics that was noticed
13 involved the utilities' response time and resolution of
14 disturbance of customer property due to utility repair
15 work. Basically, when something goes wrong, what are
16 the response times. And one thing I would offer to you
17 all is that we currently have a regulation in place that
18 requires a company to report a citation by DHEC of a
19 violation of DHEC regulations involving -- I think the
20 language we have is a serious -- or, affecting customer
21 services. And I wonder if you all could walk us through
22 the DHEC enforcement process, so that we could figure
23 out if maybe that's the right place to require this kind
24 of reporting. Also we've run into, obviously, differing
25 interpretations of what affects customer service, and

1 perhaps it's a better pressure point for the Commission
2 to obtain information that would be pertinent.

3 **MR. KINARD:** So you're wanting --

4 **MR. TERRENI:** If you could tell us, how does it
5 work. You know, if I have a sewage spill, is there a
6 citation or is there a report? Where do we go?

7 **MR. KINARD:** Especially on the wastewater side,
8 with the example you used, technically, any unauthorized
9 discharge of sewage into the environment is a violation.
10 All right. Now, if it is responded to in a timely
11 manner and cleaned up to our satisfaction, it's not
12 generally going to result in an enforcement action. I
13 mean, that's a responsive reaction. Now, if it's
14 allowed to continue to occur or, say, it even stops but
15 it's not cleaned up or there's no response, we would --
16 potentially, that would lead to an escalating set of
17 enforcement actions. You would get a Notice of
18 Violation. You may get a Notice of Enforcement
19 Conference, so that they would come in and we actually
20 sit around the table and they explain to us -- the water
21 -- sewer system sits there and explains to us what
22 happened, you know, why did it happen, you know, and we
23 discuss whether or not we need to go further with a
24 consent order, which that is kind of the next step up
25 the line if we feel like it deserves more than just a

1 Notice of Violation, if it deserves some corrective
2 action, then potentially a penalty will enter into it,
3 or we'll attempt to enter into a consent order with the
4 system where we'll send them something saying, "Here's
5 what we want you to do. We'd like for you to agree to
6 it and potentially pay this amount of money as a civil
7 penalty." At that point, they can either say, "We want
8 to negotiate parts of it," or, "We don't want to," and
9 if it gets to a point where we can't come to an
10 agreement, we'll issue an administrative order, which is
11 basically, "This is what we're telling you you have to
12 do and this is the penalty you have to pay," which is
13 generally higher than if they consent.

14 **MR. TERRENI:** Right.

15 **MR. KINARD:** And at that point it enters into the
16 administrative processes as far as appeals and things.
17 But that's just in a nutshell how we do it.

18 **MR. TERRENI:** You said something about response
19 time. Is there a criteria for evaluating response time,
20 or is that a subjective decision?

21 **MR. KINARD:** It's subjective. I mean, there are a
22 lot of things that factor into it, the immediacy of the
23 problem, whether or not it's something that's -- if it's
24 potentially going to affect -- if there are children
25 playing out in the spill, that kind of thing, you know,

1 there's just different degrees of how fast you need to
2 be there to correct these problems. A small leak versus
3 a line break would be an example.

4 **MR. TERRENI:** Commissioners?

5 **COMMISSIONER CLYBURN:** I noticed we -- one of my
6 interests was item number two, in terms of response and
7 resolution of complaints. I don't know if this is where
8 some of the companies might chime in. And I won't
9 mention a particular case, but that has been an issue in
10 several dockets, so I guess I'm trying to get some
11 feedback, if you would, on that, on your best practices
12 maybe of things that you might have come across on a
13 national front, you know, hopefully things that --
14 things ultimately will go wrong, and there's a
15 disconnect oftentimes between company and customer, but
16 I wonder if you've got any feedback on item number two.

17 [No response]

18 **COMMISSIONER CLYBURN:** I guess not. I hope when I
19 call your offices, if I'm a customer, that you won't be
20 silent.

21 **MR. TERRENI:** I feel like we've dealt with
22 enforceable standards and quality of water. I mean,
23 unless somebody has anything to add about that, we seem
24 to -- or, Commissioners, if you have any questions about
25 any of these other topics that we've covered, or points

1 of clarification?

2 **COMMISSIONER WRIGHT:** Is there a standard or a
3 definition -- I've heard the secondary standards and all
4 that. But is there -- does EPA define water quality
5 anywhere, besides those parameters that you've laid out?
6 Is there a -- you know, because when we're dealing with
7 the issue, it's a customer service issue, a customer
8 satisfaction issue. And how do you determine, you know
9 -- we do struggle with that.

10 **MR. KINARD:** I think what it boils down to is that
11 the EPA really doesn't define like different standards
12 of water quality. I mean, it either meets all the
13 applicable MCLs or it doesn't. And it's an either/or
14 question. It's not, you know, it's pretty good and good
15 and real good. I mean, it's -- the secondary MCLs are
16 the closest we have to anything other than it either
17 meets all the standards or it doesn't. It can meet --
18 it can not meet a secondary standard but still be
19 considered safe to drink, so that's really the only
20 dividing line I can think of that they have.

21 **CHAIRMAN HAMILTON:** Any other questions?
22 Commissioner Howard?

23 **COMMISSIONER HOWARD:** I want to, I guess, follow up
24 on Commissioner Wright's question awhile ago. Explain
25 to me the safe drinking water revolving fund, and I

1 guess I read where it's like a company can save 20
2 percent using this fund than going to private sources.
3 Other states -- there are some other states that private
4 companies can withdraw from the state revolving fund. I
5 guess I'd like to know how is the fund funded, and you
6 already said you don't know why private companies can't
7 withdraw from it, but just out of curiosity, working
8 mechanisms of it, how it's funded, and if you've got any
9 suggestion on how private companies -- if that's an ORS
10 question, I'll -- how private companies could withdraw
11 funds from it.

12 **MR. KINARD:** Well, it's funded through Congress and
13 comes through EPA, but it's directly funded by Congress,
14 and it's a loan fund, generally, where we give out low-
15 interest loans. DHEC administers it, but the banking
16 part of it, DHEC doesn't act as the bank for the fund;
17 that's the Budget and Control Board. And please don't
18 quote me, but my understanding is the Budget and Control
19 Board is somehow -- their regulations are what keeps it
20 from funding private. It's not -- in other words, it's
21 not a DHEC decision not to do it. And I'm just thinking
22 I've heard somewhere that it has something to do with
23 their procedures at Budget and Control.

24 **CHAIRMAN HAMILTON:** You don't know if it's the
25 federal or State that --

1 **MR. KINARD:** Well, no, it's the State rule.

2 **COMMISSIONER CLYBURN:** It's a State -- there's
3 no --

4 **MR. FANTRY:** I may be able to address that, because
5 I'm generally trying to get some of those funds, and
6 take water management off the hook. Can you hear me?

7 **COMMISSIONER CLYBURN:** Yeah, the mic's on you. You
8 don't have to hold it up.

9 **MR. FANTRY:** All right, I've got it on. Yeah, I'm
10 talking into my -- certain funds of the EPA comes down
11 and are restricted, they're bond funding and restricted
12 totally to public bodies and non- -- actually, public
13 bodies, and they lose their tax-exempt status, so the
14 persons who are buying those bonds, if it's over 5
15 percent of the group that goes to either a non- -- to a
16 nonprofit body, if it's more than that then it loses its
17 tax-exempt status so there's no market for the note.

18 The federal government puts some restrictions on
19 the Budget and Control Board with regard to the money
20 that came back down, the tobacco money, because I had
21 two or three nonprofit water companies and they said,
22 when the law passed, had to be a public body, had to be
23 used by the public body, couldn't even go through the
24 public body.

25 So you'll find a combination of restrictions from

1 Washington on the money that says it's just got to be a
2 public body, it's not open to that. Or it's a bond
3 situation where they're going to sell the bond on the
4 market, that the banks are not going to buy it unless
5 it's tax-exempt and the federal IRS laws basically say
6 if it's more than 5 percent of nonpublic body, then it
7 doesn't qualify.

8 **COMMISSIONER WRIGHT:** And maybe I'm all messed up
9 here, but when a public system -- and you're talking
10 about, you know, a city system, I assume, or a regional
11 system of some kind?

12 **MR. FANTRY:** They are that. And then we actually
13 have some 501(c)(12) nonprofit water systems in the
14 State, about 52 of them.

15 **COMMISSIONER WRIGHT:** All right. But let's say
16 that somebody wanted to purchase a nonviable private
17 system, one of those public bodies.

18 **MR. FANTRY:** Right.

19 **COMMISSIONER WRIGHT:** I think I've heard at some of
20 the meetings we've been at that companies are not --
21 they can't take advantage of that here, just exactly
22 what you talked about, because either the law is written
23 wrong or it needs to be tweaked.

24 **MR. FANTRY:** The law specifically excludes them for
25 almost all sorts of low-interest or bonded money. Now,

1 the State could --

2 **COMMISSIONER WRIGHT:** Well, I guess my question is,
3 is that right? Or should that be looked at?

4 **MR. FANTRY:** On what -- should it be looked at? I
5 think people have looked at it. The question is do you
6 want to provide funding for for-profit entities. Right
7 now, the tax laws are such that you can't. In my mind,
8 I was just saying, well, could the State just put a pool
9 of money together, a revolving fund, and say everybody
10 can use it, or we are just going to restrict it to those
11 who are regulated entities on it, and I'm not so sure
12 that that would pass Constitutional muster in regard to
13 public purpose and the use of funds that are generated
14 from taxes.

15 **MR. TERRENI:** We have a Universal Service Fund for
16 telephones.

17 **MR. FANTRY:** Well, as I say, that would be the
18 thing that would be -- if you were going to tweak it
19 from a state level, I think it would be wonderful to
20 have access to some of the funding, with the needs
21 there, but it's not going to be under the present
22 sources that are available today.

23 **MR. TERRENI:** Okay.

24 **COMMISSIONER CLYBURN:** And as you said, you used
25 the word "almost," so you said there's upwards of 5

1 percent. Because there are other states that, you know,
2 that --

3 **MR. FANTRY:** Do not have the restriction.

4 **COMMISSIONER CLYBURN:** Exactly.

5 **MR. FANTRY:** Well, we've got some bond counsels in
6 South Carolina, about five firms, and we've had -- I've
7 had discussions about that, as to what percentage of the
8 use is, because -- and basically, there are a couple of
9 firms that say you don't have any nonprofits in there at
10 all. "I'm not going to give you a bond opinion if
11 you've got a nonprofit in there." There are a couple of
12 other firms that say, "Well, you know, you get up to 5
13 percent, we'll wink at you. We're not happy about it."
14 So, you know, sometimes bond counsels just won't write
15 off on the financing, and that's why the nonprofits are
16 being left behind and that's why the profits are being
17 left behind. It's the financing vehicle.

18 **CHAIRMAN HAMILTON:** Any other questions? Yes, sir.

19 **MR. BRITTS:** My agency, Southeast RCAP, is a
20 nonprofit and we have a loan fund that is funded with
21 some EPA money, some USDA rural development money, and
22 also some private foundation charity money. So, we can
23 loan to businesses and for-profits, and we loan in
24 states from Delaware to Florida.

25 What I want to bring up to you is, we're shopping

1 around for customers. We've got money that we haven't
2 loaned. I notice in South Carolina we have DHEC and
3 Budget and Control Board has the State Revolving Loan
4 Fund, and rural development, which is USDA, has about 20
5 million a year they would like to loan, and the PCD COG
6 has a loan fund. The Pee Dee COG in Florence has a loan
7 fund. It's like loan funds all around. So there's a
8 lot of money out there, but it's not being lent because
9 eligibility, creditworthiness, interest rate is too
10 high. Our loan fund will go down as low as 2 percent if
11 you're certifiably poor. You have to be really low to
12 moderate income to get at the 2 percent rate.

13 One more thing. In Georgia, which seems to have a
14 lot of money to lend, they have what they call
15 subsidized loans. This is by their agency called G, for
16 Georgia, Environmental Authorities Facility. And it
17 used to be called negative interest rate. You borrow a
18 million and you pay back 800,000. You do the math. You
19 borrow a number and you pay back a lower number. So
20 there's a grant subsidy in there somewhere.

21 But South Carolina and other states in our region
22 don't have the subsidized loans, for whatever reason.
23 Just wanted to bring this information out to you, that
24 there's a lot of agencies that would like to loan money
25 but for some reason they don't loan all their money, so

1 they just --

2 **MR. TERRENI:** Well, you may have more customers
3 after today.

4 **CHAIRMAN HAMILTON:** That's right. You come to our
5 next rate case, and I'm sure you could get some
6 applicants.

7 [Laughter]

8 **CHAIRMAN HAMILTON:** All right. Is there anything
9 else? Any other Commissioners? Commissioner Fleming?

10 **COMMISSIONER FLEMING:** Yeah, I wanted to go back to
11 the subject of after work has -- if there's a problem,
12 work has been done and a yard is disrupted, or a street
13 or whatever, I wanted to ask the utility companies what
14 they think is a good timeline to put the yard or road or
15 whatever back in order, back to its previous condition.

16 **MR. PARNELL:** In the -- if we have to dig the yard
17 up, we would try to get it raked up and presentable, you
18 know, that day we were working on it.

19 **COMMISSIONER FLEMING:** So, you try to -- when you
20 fix the problem, you try to put the yard back.

21 **MR. PARNELL:** Well, if it's a road, we'll cover it
22 with crush-and-run and let it sit, because it's going to
23 settle, and we'll let those sit for a week or two.

24 **COMMISSIONER FLEMING:** And then you maintain that?

25 **MR. PARNELL:** [Nodding head.]

1 **COMMISSIONER FLEMING:** How about your company?

2 **MR. MITCHELL:** Basically, we try to do the same
3 thing. You may have to let a yard sit longer if it's a
4 bigger dig, because you're going to have settling there
5 too, so we do a lot of work where if somebody doesn't
6 want grass seed, we'll actually go get sod and put it
7 out, to try to bring it back.

8 Probably one of the biggest areas, though, that can
9 come up sometimes is, you know, we're not supposed to
10 have hard structures over our lines or easements, but
11 concrete driveways are in there all the time, and you've
12 got to let those settle, and somebody wants their
13 driveway back, and if you've got to do just a spot dig,
14 they want the whole driveway repaired. So it's -- you
15 try to do the best you can with each situation.

16 **COMMISSIONER FLEMING:** So, how long would it take
17 to settle the ground?

18 **MR. MITCHELL:** Depends on if it's rained, if it was
19 -- if you had a blowout and you have really wet soil,
20 you've got to let it dry out a lot longer than if you're
21 just replacing a valve that had a minor leak, so it can
22 depend on soil type, if it's sandy, clay. It's hard to
23 put a -- you know, we're in there as quickly as we can,
24 but you're at the whim of mother nature if it rains
25 again in between.

1 **COMMISSIONER FLEMING:** So you think a two-week time
2 period is a good window?

3 **MR. MITCHELL:** Generally, unless you're -- like I
4 said --

5 **COMMISSIONER FLEMING:** Unless there are
6 complications?

7 **MR. MITCHELL:** Complications, or you've got
8 concrete work to do and you've got -- you know, you try
9 to work with one vendor that you know, you're familiar
10 with. You don't want somebody to come in and pour a bad
11 driveway and have to tear it out and do it again.

12 **MR. TERRENI:** But in any event, you wouldn't leave
13 a hole?

14 **MR. MITCHELL:** We try not to leave a hole, no. In
15 some instances, there might be something that's left
16 overnight where you have to come back, but generally we
17 do not. We try to --

18 **COMMISSIONER FLEMING:** And do you mark it well, so
19 people will know there's a hole?

20 **MR. MITCHELL:** It's not our policy to leave holes.
21 I'm not saying it doesn't happen. We use contractors
22 and sometimes they're out of our control a little bit.

23 **MR. WELCH:** I think some of your question, you
24 would build in a little bit of time -- and certainly
25 these guys can answer that better than me, but if there

1 is -- when they're repairing a line, we require they
2 disinfect and then take a sample. If that sample comes
3 back negative, they may need to get back in there and
4 work again.

5 So I would think there would be a little bit of
6 time built in there, like Mac said, depending on what
7 the nature of the repair was or what you actually fixed
8 or how much you had to dig up. You'd leave it not
9 necessarily open, but not put back to regular use, in
10 case you had to go back in.

11 **COMMISSIONER FLEMING:** But the customer would know
12 that --

13 **MR. WELCH:** I would think so.

14 **COMMISSIONER FLEMING:** -- those are the conditions.
15 Could I -- I just want to say, well, first of all, how
16 much I have appreciated hearing all the perspectives
17 today. It's been very educational.

18 A lot of times these water hearings get very
19 emotional. We all feel very passionate about what we
20 drink and the conditions in our home. It would be so
21 helpful to hear from someone like DHEC at these
22 hearings. It kind of helps us balance out these
23 emotions at times, and I think it would be a wonderful
24 asset if we could get some expertise from DHEC when we
25 have these hearings. I think it would really kind of

1 give us a good perspective on the overall picture. I
2 really appreciate your being here today.

3 **MR. KINARD:** We appreciate that. I mean, I guess
4 our only concern is sometimes we don't know when we're
5 going to hurt or help. I mean, we don't want to come in
6 -- we certainly don't want to come in and just start
7 saying, well, you know, something is wrong with this
8 group here, or something. You know, it's hard to know
9 our place, I guess.

10 We certainly would be willing to come and testify
11 about any type of water quality issues, any information
12 we have that you all think is pertinent and you would
13 like to hear about. We'll be more than happy to come
14 and present any of that information, certainly.

15 **COMMISSIONER FLEMING:** And that's what I was
16 talking about, just the facts, just the scientific
17 information to balance it out. Thank you.

18 **CHAIRMAN HAMILTON:** Any other questions? I'd like
19 to echo Commissioner Fleming and tell you how much we
20 appreciate each of you appearing here today and giving
21 us the information you have. It's been very helpful to
22 the Commission, and I think you'll see a lot of what
23 you've heard today and what you've told us in the new
24 reg's as we prepare them. Thank you very much for being
25 here. We stand adjourned.

[WHEREUPON, at 2:45 p.m., on August 7,
2007, the proceeding was adjourned.]

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